



# House of Representatives

General Assembly

**File No. 74**

January Session, 2003

House Bill No. 6378

*House of Representatives, March 25, 2003*

The Committee on Insurance and Real Estate reported through REP. OREFICE of the 37th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

## **AN ACT CONCERNING MINIMUM NONFORFEITURE PROVISIONS FOR CERTAIN ANNUITIES.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (c) of section 38a-440 of the general statutes is  
2 repealed and the following is substituted in lieu thereof (*Effective from*  
3 *passage*):

4 (c) The minimum values as specified in subsections (d), (e), (f), (g)  
5 and (i) of this section of any paid-up annuity, cash surrender or death  
6 benefits available under an annuity contract shall be based upon  
7 minimum nonforfeiture amounts as defined in this subsection: (1)  
8 With respect to contracts providing for flexible considerations: (A)  
9 Except as provided in subparagraph (B) of this subdivision, the  
10 minimum nonforfeiture amount at any time at or prior to the  
11 commencement of any annuity payments shall be equal to an  
12 accumulation up to such time at a rate of interest of three per cent per  
13 annum of percentages of the net considerations, as hereinafter defined,

14 paid prior to such time, decreased by the sum of [(A)] (i) any prior  
15 withdrawals from or partial surrenders of the contract accumulated at  
16 a rate of interest of three per cent per annum, and [(B)] (ii) the amount  
17 of any indebtedness to the company on the contract, including interest  
18 due and accrued; and increased by any existing additional amounts  
19 credited by the company to the contract, [. The] (B) where such  
20 contracts are issued on or after the effective date of this section and  
21 before July 1, 2005, the minimum nonforfeiture amount at any time at  
22 or prior to the commencement of any annuity payments shall be equal  
23 to an accumulation up to such time at a rate of interest of one and one-  
24 half per cent per annum of percentages of the net considerations, as  
25 hereinafter defined, paid prior to such time, decreased by the sum of  
26 (i) any prior withdrawals from or partial surrenders of the contract  
27 accumulated at a rate of interest of one and one-half per cent per  
28 annum, and (ii) the amount of any indebtedness to the company on the  
29 contract, including interest due and accrued; and increased by any  
30 existing additional amounts credited by the company to the contract,  
31 (C) the net considerations for a given contract year used to define the  
32 minimum nonforfeiture amount shall be an amount not less than zero  
33 and shall be equal to the corresponding gross considerations credited  
34 to the contract during that contract year less an annual contract charge  
35 of thirty dollars and less a collection charge of one dollar and twenty-  
36 five cents per consideration credited to the contract during that  
37 contract year, [. The] and (D) the percentages of net considerations  
38 shall be sixty-five per cent of the net consideration for the first contract  
39 year and eighty-seven and one-half per cent of the net considerations  
40 for the second and later contract years, except the percentage shall be  
41 sixty-five per cent of the portion of the total net consideration for any  
42 renewal contract year which exceeds by not more than two times the  
43 sum of those portions of the net considerations in all prior contract  
44 years for which the percentage was sixty-five per cent; (2) with respect  
45 to contracts providing for fixed scheduled considerations, minimum  
46 nonforfeiture amounts shall be calculated on the assumption that  
47 considerations are paid annually in advance and shall be defined as for  
48 contracts with flexible considerations which are paid annually with

49 two exceptions: (A) The portion of the net consideration for the first  
 50 contract year to be accumulated shall be the sum of sixty-five per cent  
 51 of the net consideration for the first contract year plus twenty-two and  
 52 one-half per cent of the excess of the net consideration for the first  
 53 contract year over the lesser of the net considerations for the second  
 54 and third contract years; (B) the annual contract charge shall be the  
 55 lesser of (i) thirty dollars or (ii) ten per cent of the gross annual  
 56 consideration; [. (3) With] (3) with respect to contracts providing for a  
 57 single consideration, minimum nonforfeiture amounts shall be defined  
 58 as for contracts with flexible considerations except that the percentage  
 59 of net consideration used to determine the minimum nonforfeiture  
 60 amount shall be equal to ninety per cent and the net consideration  
 61 shall be the gross consideration less a contract charge of seventy-five  
 62 dollars.

This act shall take effect as follows:	
Section 1	<i>from passage</i>

**INS**      *Joint Favorable*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

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***OFA Fiscal Note***

***State Impact:*** None

***Municipal Impact:*** None

***Explanation***

The bill affects the minimum level of interest that must be used to calculate certain annuity benefits for private policyholders and does not result in a fiscal impact on the state.

**OLR Bill Analysis**

HB 6378

***AN ACT CONCERNING MINIMUM NONFORFEITURE PROVISIONS  
FOR CERTAIN ANNUITIES*****SUMMARY:**

This bill reduces, from 3% to 1.5%, the statutory guaranteed minimum interest rate for calculating nonforfeiture benefits (paid-up annuity, cash surrender value or reduced death benefit) in an individual annuity. Nonforfeiture benefits are made available when the annuity holder defaults in making future premium payments or surrenders the policy. The reduced interest rate applies to annuity contracts issued on or after the bill's effective date and up through June 30, 2005.

EFFECTIVE DATE: Upon passage

**COMMITTEE ACTION**

Insurance and Real Estate Committee

Joint Favorable Report

Yea 11      Nay 3